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World Production and Trade

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Weekly
Roundup

WR 37-84

Sept. 12, 1984

The Foreign Agricultural Service of the U.S. Department of Agriculture today reported the following developments in world agriculture and trade:

GRAIN AND FEED

SAUDI ARABIA's Commerce Minister has stated that a feasibility study for developing a National Wheat Stockpile is planned. The stockpile would be in addition to a proposal for a food reserve within each of the six Gulf States that is currently being studied. The stockpile, which is intended to provide future stability of supply, is possible due to a bumper Saudi wheat crop estimated at 1.3 million tons, an increase of nearly 600,000 tons over the 1983 harvest. Deliveries from the 1984 harvest to the Grain Silos and Flour Mills Organization totaled 1 million tons at the end of August, and will assure an adequate supply to cover this year's Saudi wheat consumption requirements.

EUROPEAN COMMUNITY (EC) commercial soft wheat exports could be sharply higher in 1984/85. Domestic EC wheat prices are usually higher than world market prices and the Community therefore subsidizes wheat exports. In recent months, however, the export subsidy has dropped from \$40-50 per ton to only about \$10 per ton with the strengthening of the U.S. dollar and falling domestic EC prices. Continuation of that trend could bring EC prices in line with world market prices and negate the need for an export subsidy. If that happens, unsubsidized exports probably would not be included in the present voluntary 14-million-ton limit on commercial EC soft wheat exports. The Community could then move additional exportable supplies from its impending record harvest onto world markets at competitive prices.

SOVIET purchases of U.S. grain for shipment during the July-June 1984/85 marketing year have already reached 12.9 million tons, over 30 percent of the USSR's projected 1984/85 wheat and coarse grain imports from all sources of 42 million tons, based on data from the Sept. 7, 1984, Export Sales Report. Since 1976/77, the U.S. share of the Soviet grain market has ranged from a high of 74 percent in 1978/79 to a low of 20 percent in 1982/83. This year's increased U.S. sales would mark the second consecutive year where the U.S. share of the Soviet grain market has improved. Grain sales for delivery in the second year (Oct. 1, 1984-Sept. 30, 1985) of the long-term grain agreement total 8.8 million tons. President Reagan announced on September 11 that the Soviets could buy up to 22 million tons during the second year of the agreement.

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OILSEEDS AND PRODUCTS

A recent decision by EGYPT's Import Rationalization Committee has had the effect of limiting privately imported vegetable oil. Approximately one month ago, the Committee stopped granting import licenses for consumer pack vegetable oil with a landed price above US\$1.10 per liter, resulting in a shortage of high-quality, privately imported vegetable oil on Egyptian markets. Apparently government officials feel any vegetable oil more expensive than this is an unnecessary luxury that Egypt's foreign exchange situation cannot justify. Because the vast majority of the vegetable oil consumed in Egypt is purchased through government shops at greatly subsidized prices, the overall effect of this decision is likely to be minimal.

DAIRY, LIVESTOCK AND POULTRY

ARGENTINA's beef export taxes, currently applied at a rate of 15 to 20 percent, are to be eliminated October 1, according to Argentine President Raul Alfonsin. Export rebates will be created for processed beef, export taxes on pork and mutton removed and inventory taxes paid by cow/calf operators reduced 50 percent. The depressed condition of the Argentine beef industry was blamed in part on the livestock policies of the European Community. The EC's accumulation of enormous stocks of meat was charged as threatening the development of Argentina's beef industry. Elimination of export taxes on beef, the President declared, was in response to EC beef export subsidies. Argentina has been losing ground in the world market for beef exports. Historically, Argentina has been the world's second or third largest exporter of beef. Argentine beef exports were 522,000 tons in 1982, 420,000 tons in 1983 and are projected at only 270,000 tons in 1984.

The first shipment of 4,000 frozen suckling pigs from CHINA will soon go on sale in Singapore. The piglets will be sold about 20-30 percent cheaper than live piglets, which cost around US\$25 each. In addition, the first imports of 200 tons of frozen Chinese pork and 3 tons of ham have been sold and another 200-300 tons of frozen pork and 10 tons of ham have been ordered. The United States supplied 37 tons of fresh, chilled or frozen pork in 1983 and has supplied 24 tons so far this year. Total 1983 U.S. pork sales to Singapore amounted to 463 tons, while sales to date total only 116 tons.

BRAZILIAN chicken exports continue to expand into Asian markets. Singapore recently announced that imports of Brazilian whole chicken are being introduced for the first time. Apparently these Brazilian chickens will be offered for sale at a large supermarket chain at S\$2.60 per kilogram, compared with S\$3.50 per kilogram for a comparable U.S. product.

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GLOBAL milk production is expected to remain steady in 1984 and may decline in 1985 as active production control programs in many countries have an impact. The number of cows milked is showing little change in 1984, but is anticipated to decline in 1985. With unchanged levels of milk output, the relative strength of demand will largely determine the mix of products produced. Cheese output likely will increase somewhat in 1984 and 1985, while butter and nonfat dry milk (NDM) decline in both years.

Canada's 1984 milk production is running slightly above 1983 as producers fill higher delivery quotas that became effective in mid-1983. For 1984/85, the quota was not changed. While target prices are up 2 percent, production is not expected to increase in 1985 because fees for both in-quota and over-quota deliveries have been increased.

In the United States, a paid diversion program, plus lower effective prices for milk and high feed costs, have cut incentives for milk production. As a result, the dairy herd has been cut back, while reduced concentrate feeding and other changes in management practices have lowered per cow yields. Production is likely to be down in 1984, but some recovery may occur after the paid diversion program ends March 31, 1985.

Cow Numbers and Milk Production in Selected Regions

Country	Cow Numbers			Milk Production		
	1983	1984 1/	1985 2/	1983	1984 1/	1985 2/
	-----Million Head-----			-----Million Tons-----		
United States	11.12	10.86	10.73	63.5	61.6	61.8
Canada	1.74	1.70	1.70	8.1	8.1	8.1
EC-10	25.59	25.25	24.43	112.3	110.3	107.2
Japan	1.10	1.10	1.10	7.0	7.2	7.3
USSR	43.80	43.80	43.80	96.4	97.5	99.0
Australia	1.79	1.75	1.70	5.7	6.1	5.9
New Zealand	2.01	2.10	2.12	6.9	7.2	7.2
Total of 37 countries	162.45	162.29	161.29	408.9	408.0	406.6

1/ Estimated. 2/ Forecast.

EC milk production may decline about 2 percent in 1984 as producers adjust rapidly to the new delivery quota system that became effective April 1984. For 1985 (a full year of quotas), EC milk production is forecast to decline about 3 percent due to lower cow numbers.

Milk production in the Soviet Union is expected to increase over 1 percent in 1984 as feed and forage were in good supply during the first half of the year and are generally adequate now. Milk cow numbers in the USSR have been stable for the past two years.

Australian milk production is projected up about 7 percent in 1984 as pastures have been very favorable for milk production. Milk cow numbers are declining and more normal weather would likely bring a production decline in 1985. Despite the butter and NDM surplus in New Zealand, another increase in cow numbers appears likely as the recent devaluation of the New Zealand dollar has given many producers hope that they can remain competitive in international dairy markets and dairying appears more profitable than other enterprises.

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Lower milk production in 1984 is having a sharp negative impact on world butter production. Production in the EC, the world's largest producer, likely will drop 5 percent in 1984 and by a similar amount in 1985. U.S. production is projected down 12 percent in 1984 and is expected to fall again in 1985. Butter production in the USSR in both 1984 and 1985 is expected to increase about 2 percent as milk output rises.

Australian butter production in 1984 is expected to reach the highest level in six years, but a decline is expected in 1985. In New Zealand, the 1984 milk production forecast is expected to push butter production up 10 percent. Output in 1985 is expected to decline as cheese production recovers.

Production of Dairy Products in Selected Regions
(1,000 Tons)

Country	-----Butter-----			-----Cheese-----			---Nonfat Dry Milk---		
	1983	1984	1/ 1985	2/1983	1984	1/1985	2/ 1983	1984	1/1985 2/
United States	589	520	500	2,186	2,125	2,150	680	555	515
Canada	104	105	100	205	210	210	123	125	120
EC-10	2,282	2,165	2,046	3,599	3,710	3,731	2,489	2,254	2,113
Japan	74	80	83	20	22	25	154	162	164
USSR	1,563	1,590	1,620	744	750	760	400	410	410
Australia	88	112	98	160	160	160	98	125	104
New Zealand	250	275	270	114	90	100	165	204	195
Total of 35 countries.	6,854	6,787	6,637	9,075	9,132	9,236	4,951	4,705	4,483

1/ Estimated. 2/ Forecast.

WORLD cheese output in 1984 is expected to increase from the 1983 level despite the downturn in world milk supplies because EC cheese production continues strong. After a sharp increase in 1983, cheese production in Canada is forecast to grow about 2 percent in 1984 and remain stable in 1985, largely paralleling the changes in the delivery quota for industrial milk. U.S. cheese output is declining in 1984 because of reduced milk supplies. Output in 1985 is expected to increase slightly as milk output increases. With continuing growth of demand, EC cheese output is likely to rise in 1984 and 1985 despite smaller milk supplies. Cheese production in Australia may remain unchanged in 1984 and 1985 as extra milk is diverted to production of other products. In New Zealand, surplus supplies of cheese may force a sharp decline in 1984 despite higher milk production. Production during 1985 should recover about half the decline.

Paralleling the decrease in butter, world output of nonfat dry milk is expected to fall in 1984 and 1985. U.S. production of NDM is projected down nearly one-fifth in 1984 and may drop another 7 percent in 1985 in response to lower milk production and growing cheese output. The EC is facing a similar situation as forecasts are for a 10-percent decline in 1984 and a 6-percent drop in 1985. The very favorable milk production conditions during 1984 are expected to push Australian NDM output up over 25 percent, but in 1985 it should drop back to near the 1983 level. New Zealand's projected 1984 increase in milk production will likely push production of NDM up substantially, but, though still high, 1985 output should be somewhat smaller.

SUGAR AND SWEETENERS

Estimates of WORLD honey production originally scheduled for release in today's issue of the Weekly Roundup of World Production and Trade will be released instead in the September 26 issue, WR 39-84.

WOOD AND WOOD PRODUCTS

According to a recently released report, CHINA established the China Foreign Forest Engineering Corporation (CFFEC) in 1983 to handle domestic and foreign commercial activities on behalf of the country's forestry sector. The major activities of the new corporation will be to provide consultancy services to the forestry sector, provide forest design and production information, organize research groups and develop international economic and technical cooperation arrangements. CFFEC also will enter into contracts for projects such as forest management and exploitation, timber processing, timber utilization and forest chemistry. The corporation also will have the authority to import forest equipment and technology, and enter into joint ventures.

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Selected International Prices

Item	: Sept. 12, 1984	: Change from	: A year
	:	: previous week	: ago
ROTTERDAM PRICES 1/	\$ per MT	\$ per bu.	\$ per MT
Wheat:			\$ per MT
Canadian No. 1 CWRS-13.5%.	N.Q.	N.Q.	N.Q.
U.S. No. 2 DNS/NS: 14%..9/	170.50	4.64	-5.50
U.S. No. 2 S.R.W.	157.00	4.27	+3.00
U.S. No. 3 H.A.D.....9/	188.00	5.12	-4.00
Canadian No. 1 A: Durum.9/	207.50	5.65	-3.50
Feed grains:			
U.S. No. 3 Yellow Corn....	151.00	3.84	+6.00
Soybeans and meal:			
U.S. No. 2 Yellow.....	251.50	6.84	-5.00
Brazil 47/48% SoyaPellets	167.00	--	+5.00
U.S. 44% Soybean Meal..9/	171.00	--	+2.00
U.S. FARM PRICES 3/			
Wheat.....	124.92	3.40	+ .73
Barley.....	84.51	1.84	-2.30
Corn.....	118.50	3.01	-.79
Sorghum.....	100.05	4.57 6/	-.88
Broilers 4/.....	1224.66	--	+17.64
EC IMPORT LEVIES			
Wheat 5/.....	52.25	1.42	-7.00
Barley.....	51.25	1.12	-4.30
Corn.....	35.00	.89	-2.70
Sorghum.....	62.45	1.59	-5.90
Broilers 4/ 6/ 8/.....	165.00	--	-6.00
EC INTERVENTION PRICES 7/			
Common wheat(feed quality)	138.85	3.78	-4.75
Bread wheat (min. quality)7/	148.45	4.04	-5.05
Barley and all			
other feed grains.....	138.85	--	-4.75
Broilers 4/ 6/.....	1120.00	--	-5.00
EC EXPORT RESTITUTIONS (subsidies)			
Wheat	N.A.	0	0
Barley.....	20.05	.44	+.25
Broilers 4/ 6/ 8/.....	97.00	--	-4.00

1/ Asking prices in U.S. dollars for imported grain and soybeans, c.i.f., Rotterdam. 2/ Hundredweight (CWT). 3/ Twelve-city average, wholesale weighted average. 4/ EC category--70 percent whole chicken. 5/ Reflects lower EC export subsidy--down to 20.000 ECU/100 bag effective 9/14/83 from 22.50 ECU/100 bag set in 2/83. 6/ F.o.b. price for R.T.C. broilers at West German border. 7/ Reference price. 8/Reflects exchange rate change and not level set by EC. 9/ October shipment. N.Q.=Not quoted. N.A.=None authorized. Note: Basis September delivery.

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